

ORM 2014 Claims Management and Loss Prevention Services RFP
Addendum 3
Questions and Responses

Additional questions and responses will be posted as soon as possible.

1. Please confirm that the contract will require the following:
 - a. Building appraisals - 25% of approximately 10,000 buildings - 2,500 buildings, will require an annual appraisal. Each of these would likely take approximately 1/2 day on-site.

See response to question 2 in Addendum 1. The type and size of buildings owned by the state varies significantly, from sheds and barns to hospitals, schools and large office buildings. In addition, some are in remote locations. As a result, we cannot provide an estimate of the time required per appraisal. We will place a schedule of buildings and sample appraisal reports on the website to assist you in estimating.

- b. Loss control audit - There will be 600-700 annual loss control audits as outlined in A20.4 for every state agency with 15 or more employees. Each of these is expected to take approximately 1/2 day on-site.

See responses to questions 3 and 4 in Addendum 1.

2. Which, if any, allocated loss adjustment expenses (ALAE) are to be included in the annual cost proposals?

See response to question 6 in Addendum 1.

3. In Appendix A – Detailed Specifications – Staffing – A-4.2: what is the location of the annual ORM Conference and what is the duration?

The annual conference is typically held in 2 locations each year. One is held in Baton Rouge, and the other in a central or North Louisiana location, usually Alexandria or Shreveport. The conferences last 1-2 days, depending on the need that year. ORM hosts the conference and pays for rentals, food, etc. The contractor is only expected to participate by leading sessions at the request of ORM and will only pay the expenses associated with their employees' attendance.

4. A-4.5: what are the locations of the regional educational training sites?

Regional training is usually held in 6-7 locations per year: Baton Rouge, North Louisiana, Central Louisiana, New Orleans, Southwest Louisiana and Southeast Louisiana all have potential meeting sites.

5. Are the TPA's adjusters required to attend trials and mediations throughout the state and if so, are their expenses reimbursed by the State?

ORM considers attendance at trials and mediations to be a normal part of the job duties of an adjuster handling litigated claims. While there may be exceptions, ORM will expect adjusters to attend. The state will not reimburse for travel expenses for this or any other purpose.

6. How many combined loss prevention activities, audits, appraisals, interactions, meetings, training sessions, or scheduled visits does the current TPA do per year?

Numbers of audits and appraisals are addresses in questions 2, 3 and 4 in Addendum 1. The number of training sessions is addressed in question 6 of this document. Walkthrough Site Inspections average about 800 per year. Consultations and investigations averaged 32 per year over the last 4 years.

7. Page 7 of 76 Section 1.1.14 indicates the TPA will ultimately be responsible for maintaining insurance policy data, input premium payable and receivables per policy per agency code, generate invoices, and maintain an agency contacts database.

- a. When does the State expect the transition to occur?

July 1.

- b. Is it a mandatory requirement for this proposal?

No, but it is highly desirable.

- c. Is it required to be on the claims system used to manage claims or is it acceptable to be on a different system?

A separate system is acceptable.

8. What is the current staffing model? Please include number of employees per unit by type of position. Please include number of FTE's, i.e. 6 FTE's, or 8.50 FTE's to help proposers ascertain exact number of staff currently allocated to the project.

Staffing information has been added to our website under Supporting Documentation.

9. Does the State concur with the current staffing model? If not, what would the State like to require or desire?

There have been no problems with the current program due to staffing levels.

10. Please delineate all of the individual operations that are to be included in the annual claim fee.

See question 6, Addendum 1. If you have a question regarding something that is not listed, please submit another question.

11. Allocated Loss Adjustment Expenses (ALAE):

- a. Please provide a definition of allocated loss adjustment expenses (ALAE).
- b. Please specify which expenses are to be included in the claims administration fee, if any.

See question 6, Addendum 1. If you have a question regarding something that is not listed, please submit another question.

12. What are the current fees for services including:

- a. Claims Administration
- b. Medical Case Management
- c. Pre-Certifications,
- d. Utilization Review
- e. Vocational Rehabilitation
- f. Medical Fee Schedule: Bill Review/PPO Network Access
- g. Second Injury Fund Recovery
- h. Pharmacy Benefit Management

All of the above, except for Second Injury Fund recovery, are part of the annual service fee paid to FARA. The total for FY15 (July 1, 2014 – June 30, 2015) is \$12,105,690.

The fee for Second Injury Fund recoveries under the current contract is 12% of the amount recovered.

13. Please provide the most recent 12-month summary of bill review information. If possible, please break out the summary information by medical provider bills, inpatient hospital bills, outpatient hospital bills, pharmacy bills. Please include:

- a. Number of Bills
- b. Number of Line Items
- c. Total Billed Charges
- d. Total Fee Schedule Reductions
- e. Total PPO Network Access Reductions
- f. Total Specialty Review
- g. Any other information pertinent or charged for bill review services such as nurse or medical director review.

This has been posted to the website – “FARA Master Summary Savings Analysis”

14. Section 111 of the Medicare, Medicaid and SCHIP Extension Act of 2007 – Query and Reporting

- a. Will the Proposer be responsible for monthly query and quarterly reporting?
- b. What is the State currently being charged for query and reporting?

- a. Yes
- b. *There is no charge – this is part of the Service Fee.*

15. Claim System Interfaces

- a. Please confirm the State is using the STARS system Does the State require a claims data feed from the TPA claim system to the State system?. If yes, how frequently a data exchange is required?

The state still uses CS STARS for limited purposes. There is no data feed from iCE to STARS.

- b. Please confirm the TPA will utilize its own claim system.

Both the TPA and the state will use the TPA's claim system

- c. iClaims Expert (iCE) – Will the State provide an data file on a daily basis to upload all accident report and injuries?

iCE is FARA's system. Accidents and injuries will be reported using the system provided by the successful proposer.

- d. iAudit – We understand the TPA Loss Prevention Staff will use this system to manage loss prevention audits. Are there any data exchanges required from the TPA Claims system to the State's iAudit system? If so, please describe and how frequently?

iClaims Audit is also FARA's system. Each proposer should provide a solution for managing loss prevention audits and data.

- e. LaGov – will the TPA have access to the LaGov system?

Property Adjusters and Loss Prevention staff will be provided with the necessary access to LaGov.

- f. Page 7 of 76 Section 1.1.14 indicates the TPA will ultimately be responsible for maintaining insurance policy data, input premium payable and receivables per policy per agency code, generate invoices, and maintain an agency contacts database.

- i. When does the State expect the transition to occur?
 - ii. Is it a mandatory requirement for this proposal?
 - iii. Is it required to be on the claims system used to manage claims or is it acceptable to be on a different system?

See response to question 7.

16. Is the State interested in the ability to have all claims reported telephonically?

No. We prefer online entry of claims.

17. Page 5-6 of 76 Section 1.2.9 indicates approximately 3,220 open litigated cases.

- a. Please break down the number of open litigated cases by line of coverage/insurance.

That information is already available on our website. See "Open Claims by Coverage and Litigation Status."

18. Does the State pay fees for subrogation or recovery? If yes, what are the fees and approximately how much was paid over the last year?

Under the current contract, FARA's Subrogation Fee is 20%. The state paid fees as follows:

FY 2011-\$378,051.70

FY 2012-293,565.73

FY 2013-\$173,954.08

FY 2014-\$314,708.48

It is important to note that those fees include amount paid for claims which were turned over to the Attorney General. Those will not be eligible for payment under this contract. Our best estimate of the amount which will be recovered annually by the TPA, without AG assistance, is \$400,000.

19. Page 1.6 Performance Penalties

- a. The State of LA will not fall under the TPA SOC 1 Type 2 Report from SSAE 16 review until after the first year of service. Please confirm the first time this audit will be due to the State will be after December 1, 2016.

Depending on the TPA's audit cycle, the first report would be due to the state no later than December 1, 2016. If the audits are conducted on a calendar year basis, an earlier report would be expected.

- b. Failure to achieve Acceptable or better scores on all factors reviewed as part of independent claims audits conducted every 6 months. Please provide a copy of the audit criteria used for audit purposes every 6 months. Please confirm the first audit completed that will be subject to penalties will not occur until after the first 12 months of service at the next audit period – essentially 18 months after transition. We understand that all files will be reviewed within the first 60 days; however, it is a large transition and we would like to understand the grace period allowed by the State.

The audit criteria are not available. They will be finalized during the first 6 months of the contract period with input from the TPA. The first audit will be conducted in July, 2016.

20. Will the State please provide a list of interested vendors who participated in the pre-proposal telecall?

We cannot provide a definitive list, since there could have been participants of which we were not aware. Those that identified themselves represented Trinity, CCMSI, York, Gallagher-Bassett, Sedgwick, Crawford, Broadspire, MCI, FARA, Tristar and Corvel.

21. Will the State please provide loss runs for all open, reopened and closed claims via SFTP site provided by the Proposer? If not, will the State please provide the number of open and reopened claims by line of insurance and claim type per each incident or fiscal year?

Loss data will be posted on our website.

22. Section 4.1 required seven (7) copies of the proposal. It appears that the State is requiring hard copies OR electronic copies on digital media, such as a USB flash drive. Please confirm the State does not require additional seven (7) hard copies if proposal is provided on a USB flash drive.

The additional 7 copies can be hard copy OR electronic.

23. Page 20 Section 4.2.5 Veteran/Hudson Small Entrepreneurship Program Participation.

- a. Are MBE/WBE or DBE included in this consideration for additional evaluation points?

The points are only awarded for participation by Veteran or Hudson Initiative small entrepreneurship.

- b. Page 22 of 76 Section 4.2.6, What are the current and detailed costs for travel and other contractual arrangements not included in the claims administration services.

Your question is not clear. However, the state does not reimburse for travel under the current contract, nor will we do so under the new contract.

24. What are the current Emergency Adjusting Fees?

The current contract has a rate of \$95 an hour for emergency adjusting services.

25. What are the current Recovery Fees?

Second Injury Fund is 12%; Subrogation is 20%.

26. Page 2, Item 1.2.2, Claims Unit. Please provide the following information.

- a. Organizational chart to include all members of the state's current dedicated claims team.
 - b. In the event the organizational chart cannot be released, please provide "head count (full and part time)" for the following teams: CGL; Road Hazard; Property; Medical Malpractice; Transportation; Workers' Compensation; Loss Control; Nurse Case Managers; Appraisal professionals
 - c. With respect to the respective teams identified in the previous questions what are the average adjuster case loads
 - d. With respect to the respective team identified above what is the salary bandwidth for each position within the respective discipline. Please include: managers; supervisors; quality assurance; nurse case managers and dedicated account manager
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- a. *Staffing information is provided in the response to question 8.*
 - b. *See above*
 - c. *This can be calculated from the staffing and claims count information already provided.*
 - d. *We cannot provide salary information for FARA employees.*

27. Page 2, Item 1.2.2. Claims Unit, Property Unit. Does the state self-insure its third party aviation liability exposure to the extent claims are handled by the insurer? If not, what is the average number of claim received annually?

Aviation is fully self-insured. Claims are adjusted by the TPA. Damage appraisals would be paid by the state as an expense. We average about 3 aviation claims per year.

28. Page 4, Item 1.2.5, Statistics Unit. How often (daily etc.) does your current TPA send data to the STARS system?

No data is sent from iCE to STARS. Data extracts are used to obtain the data needed for the actuary and to support premium development.

29. Pages 5, Item 1.2.9, Louisiana State Attorney General's AG's) Office. Since the state has some 3200 open litigated cases are there adjusters in each unit who exclusively manage these claims? If so, please identify the number in each unit.

The FARA staffing information provided shows 2 litigation specialists. However, litigated claims are not assigned exclusively to those individuals.

30. Page 14, Section 3.7, Subcontracting. Our organization has a strategic partnership with vendors to provide services such as bill review and PPO network services. Does the state expect us to provide a copy of the in-force contract between our respective organizations? Or does this section only pertain to subcontracting of services for claims adjudication and loss control services?

Copies of such contracts would not be required.

31. Page 24, Item 4.3.3, Project Organization. Does the state expect the State Contract Administrator to be located in Baton Rouge to the extent that the Contract Account Administrator would be located in Baton Rouge?

The State Contract Administrator is a state employee and works at our office in Baton Rouge.

32. Page 31, Section 6.2, Billing and Payments. Please itemize those specific "Implementation Fees" that could be billed upon contract execution.

That information is available on page 3 of Addendum 1 – Pre-proposal Conference Call.